



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

*Paul Matson
Director*

MINUTES REGULAR MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, August 21, 2009
8:30 A.M., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. David Byers, Chair of the ASRS Board, called the meeting to order at 8:35 AM, MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
Mr. Tom Connelly, Vice-chair
Mr. Chris Harris
Mr. Jim McLaughlin
Dr. Keith Meredith – via teleconference
Mr. Michael Townsend
Mr. Larry Trachtenberg
Mr. Steve Zeman
Mr. Jaime Gutierrez

A quorum was present for the purpose of conducting business.

2. Presentation, Discussion and Appropriate Action Regarding the PRIDE Award for Improvement

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, recognized Mr. Neal Park as the winner of the PRIDE Award for Improvement. Mr. Park was formally recognized by the Board and staff for his efforts in improving Human Resource related reporting and internal communications.

3. Approval of the Minutes of the July 31, 2009 Regular Session of the ASRS Board

Motion: Mr. Steve Zeman moved to approve the minutes of the July 31, 2009 Regular Session of the ASRS Board.

Mr. Michael Townsend seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Mr. David Byers, Chair, said the Board would discuss the Director's Report, originally agenda item number 8, since Mr. Gerald Paulus was not present at the meeting to discuss agenda item number 4, "Mr. Paulus' Retirement Benefit Appeal," and since Mr. Allan Martin, Partner, New England Pension Consultants (NEPC), was not yet present to discuss agenda item 5, "ASRS Total Fund Performance Review for the Period Ending June 30, 2009."

Mr. Chris Harris arrived at 8:37 AM.

4. Director's Report

Mr. Guarino addressed the Board regarding Member Statements, which are sent annually to approximately 400,000 ASRS members, in September. The health insurance open enrollment season will also begin in September/October. Mr. Guarino noted that because of the ASRS' data integrity efforts, member statements will be received by nearly 65,000 more members than last year, 55,000 of which are inactive members. This is a 20 percent increase. In total, these members have \$135 million dollars on account. Sending statements to the newly found members will likely cause additional calls to the call center, and may cause increased demand for refunds. Therefore, the ASRS plans to send the 55,000 inactive members their statements after open enrollment, which should taper off in mid-November.

Mr. Larry Trachtenberg arrived at 8:44 AM.

Mr. Byers noted that while waiting for Mr. Martin, agenda item 7, "Fiduciary Responsibilities" would be discussed next.

5. Presentation, Discussion and Appropriate Action Regarding Fiduciary Responsibilities with Respect to Trustee Education and Knowledge

Mr. Tom McClory, Assistant Attorney General, addressed the Board regarding fiduciary responsibilities with respect to Trustee education and knowledge. Mr. McClory provided a presentation to Trustees regarding fiduciary responsibility as a Trustee and fielded several questions from Trustees.

6. Presentation, Discussion and Appropriate Action Regarding the ASRS Total Fund Performance Review for the Period Ending June 30, 2009

Mr. Martin, NEPC, addressed the Board regarding the Total Fund Performance Overview for the period ending June 30, 2009, highlighting specific areas of interest and concern. Mr. Gary Dokes, Chief Investment Officer, recognized his staff for their contribution to the Total Fund Attribution report. Mr. Dokes noted the report has a new format to report performance correlating with ASRS investment objectives. Mr. David Underwood, Equity Portfolio Manager, addressed the Board regarding the Investment Outlook report. Mr. Paul Matson, Director, responded to a question with respect to the 8% actuarial discount rate.

The Total Fund Performance for the period ending June 30, 2009 is:

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception (6/30/75)
Total Fund	12.6%	-18.1%	-3.8%	1.2%	1.9%	9.5%
SAA Benchmark*	13.9%	-18.4%	-3.0%	1.4%	1.3%	9.3%
Excess Return	-1.3%	0.3%	-0.8%	-0.2%	0.6%	0.2%

Policy History:

- 7/1/75 – 12/31/79 – 40% S&P 500/60% Barclays Capital Aggregate
- 1/1/80 – 12/31/83 – 50% S&P 500/50% Barclays Capital Aggregate
- 1/1/84 – 12/31/91 – 60% S&P 500/40% Barclays Capital Aggregate
- 1/1/92 – 12/31/94 – 50% S&P 500/40% Barclays Capital Aggregate/10% MSCI EAFE
- 1/1/95 – 6/30/97 – 45% S&P 500/40% Barclays Capital Aggregate/15% MSCI EAFE
- 7/1/97 – 12/31/99 – 50% S&P 500/35% Barclays Capital Aggregate/15% MSCI EAFE
- 1/1/00 – 9/30/03 – 53% S&P 500/30% Barclays Capital Aggregate/17% MSCI EAFE
- 10/1/03 – 12/31/06 – 53% S&P 500/26% Barclays Capital Aggregate/15% MSCI EAFE/ACWI ex-U.S./6% NCREIF Property Index + 100 bps (lagged one quarter)
- 1/1/07 – present – 31% S&P 500/7% S&P 400/7% S&P 600/26% Barclays Capital Aggregate/18% MSCI ACWI ex-U.S./6% NCREIF Property Index + 100 bps (lagged one quarter)/5% Russell 3000 + 300 bps

*Interim Benchmark (current): 36% S&P 500, 7% S&P 400, 7% S&P 600, 27% Barclays Capital Aggregate, 19% MSCI ACWI ex-U.S., and 4% NCREIF Property Index + 100 bps (lagged one quarter)

Note: Interim Benchmark incorporates a proration of 2% real estate and 5% private equity

7. Presentation, Discussion and Appropriate Action Regarding the ASRS U.S. Fixed Income Managers' Review

Mr. Martin, Mr. Dokes, and Mr. Al Alaimo, Fixed Income Portfolio Manager, addressed the Board regarding the fixed income asset class. As of June 30, 2009, the market value of the ASRS fixed income manager(s) assets was \$5.2 billion and represented approximately 26% of the ASRS' total assets. Fixed income assets are currently managed in eight portfolios: three active portfolios, two opportunistic fixed income and three passive/enhanced passive portfolios.

Approximately two-thirds of fixed income assets are managed passively (ex. GTAA). The ASRS fixed income asset class has historically achieved net investment results equal to or greater than those of the Barclays Capital Aggregate Index.

Mr. Jaime Gutierrez left the meeting at 11:14 AM.

8. Possible Presentation Regarding Board Committee Updates

Mr. Steve Zeman, Vice-chair, External Affairs Committee (EAC), said the next EAC meeting will take place October 2, 2009.

Mr. Tom Connelly, Chair, Investment Committee (IC), stated the IC has scheduled a meeting for August 31, to discuss investment objectives and governance, in addition to the September 14 meeting, at which the updated Asset Allocation Study will be discussed.

Mr. Steve Zeman, Chair, Operations Committee (OC), said the next OC meeting will take place August 27, at which the Audit Plan for FY 2010-2011 will be discussed.

9. Board Requests for Agenda Items

Mr. Zeman requested a discussion of ASRS obligations to members regarding searching for members who haven't kept the ASRS informed of their current address.

10. Call to the Public

No members addressed the Board. Mr. Paulus was not present to address his agenda item in person or via telephone.

11. The next ASRS Regular Board meeting is scheduled for Friday, September 18, 2009, at 1:00 p.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

12. Adjournment of the ASRS Board

Mr. Byers adjourned the Board meeting at 11:21 AM.

ARIZONA STATE RETIREMENT SYSTEM

Lisa Hanneman
Board Secretary

Date

Paul Matson
Director

Date